

**Assembly Bill No. 792**

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Passed the Assembly May 18, 2015

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*Chief Clerk of the Assembly*

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Passed the Senate June 22, 2015

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2015, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Sections 5240 and 9250 of the Corporations Code, relating to corporations.

## LEGISLATIVE COUNSEL'S DIGEST

AB 792, Chiu. Board of directors: investment standards.

The Nonprofit Public Benefit Corporation Law and the Nonprofit Religious Corporation Law each require a board of directors for a corporation formed under its provisions to manage corporate investments in compliance with prescribed investment standards. The laws specify that compliance with its prescribed standards do not preclude the application of a separate investment standard under the Uniform Prudent Management of Institutional Funds Act.

This bill would modify the prescribed investment standard in each law to include the Uniform Prudent Management of Institutional Funds Act, if that act would be applicable.

*The people of the State of California do enact as follows:*

SECTION 1. Section 5240 of the Corporations Code is amended to read:

5240. (a) This section applies to all assets held by the corporation for investment. Assets which are directly related to the corporation's public or charitable programs are not subject to this section.

(b) Except as provided in subdivision (c), in investing, reinvesting, purchasing, acquiring, exchanging, selling and managing the corporation's investments, the board shall do the following:

(1) Avoid speculation, looking instead to the permanent disposition of the funds, considering the probable income, as well as the probable safety of the corporation's capital.

(2) Comply with additional standards, if any, imposed by the articles, bylaws or express terms of an instrument or agreement pursuant to which the assets were contributed to the corporation.

(c) No investment violates this section where it conforms to provisions authorizing the investment contained in an instrument or agreement pursuant to which the assets were contributed to the corporation. No investment violates this section or Section 5231 where it conforms to provisions requiring the investment contained in an instrument or agreement pursuant to which the assets were contributed to the corporation.

(d) In carrying out duties under this section, each director shall act as required by subdivision (a) of Section 5231, may rely upon others as permitted by subdivision (b) of Section 5231, and shall have the benefit of subdivision (c) of Section 5231, and the board may delegate its investment powers as permitted by Section 5210.

(e) Compliance with the Uniform Prudent Management of Institutional Funds Act (Part 7 (commencing with Section 18501) of Division 9 of the Probate Code), if that act would be applicable, will be deemed to be compliance with subdivision (b).

SEC. 2. Section 9250 of the Corporations Code is amended to read:

9250. (a) In investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing a corporation's investments, the board shall meet the standards set forth in Section 9241.

(b) Compliance with the Uniform Prudent Management of Institutional Funds Act (Part 7 (commencing with Section 18501) of Division 9 of the Probate Code), if that act would be applicable, will be deemed to be compliance with subdivision (a).

Approved \_\_\_\_\_, 2015

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*Governor*